

Message Text

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ORIGIN AID-56

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TO AMEMBASSY SAIGON PRIORITY

C O N F I D E N T I A L STATE 095707

AIDAC

E. O. 11652: GDS

SUBJ: VEGETABLE OIL - TITLES I AND II

1. FOLLOWING HIS VISIT TO THE FAR EAST EARLY THIS YEAR, SENATOR DANIEL K. INOUE, CHAIRMAN, SUBCOMMITTEE ON FOREIGN OPERATIONS, SUBMITTED A REPORT OF HIS FINDINGS ON THE VN AID PROGRAM. THE REPORT CONTAINS REMARKS ON THE VN VEGETABLE OIL SUPPLY WHICH IS QUOTED BELOW.

QUOTE VEGETABLE OIL : OIL IS IMPORTED INTO VIETNAM UNDER TITLES I AND II OF PUBLIC LAW 480. THE END- USERS ARE (1) THE GENERAL SUPPLY AGENCY (GSA) COMMISSARY, (2) THE REPUBLIC OF VIETNAM ARMED FORCES (RVNAF), (3) COMMERCIAL IMPORTERS WHO RESELL TO THE GENERAL PUBLIC, (4) THE MINISTRY OF SOCIAL WELFARE, AND (5) FOUR VOLUNTARY RELIEF AGENCIES FOR DISTRIBUTION TO NEEDY PEOPLE.

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AS OF FEBRUARY 6, 1973, THESE VARIOUS AGENCIES HAD 1,258,000 GALLONS OF OIL IN STOCKS (NOT COUNTING STOCKS IN THE HANDS OF COMMERCIAL IMPORTERS). ONLY PARTIAL DATA WAS AVAILABLE ON REQUIREMENTS FOR EACH GOVERNMENT AGENCY BUT IT WAS QUITE OBVIOUS THAT SOME HAD MORE THAN THEY NEEDED AND OTHERS HAD LIMITED AMOUNTS. FOR EXAMPLE, THE GENERAL SUPPLY AGENCY COMMISSARY HAD 566,000 GALLONS VERSUS ISSUES FOR ALL OF CALENDAR YEAR 1972 OF 270,000 GALLONS -- OR AN INDICATED

SUPPLY OF MORE THAN TWO YEARS. ON THE OTHER HAND, THE MINISTRY OF SOCIAL WELFARE HAD 109,000 GALLONS VERSUS ISSUES DURING CALENDAR YEAR 1972 OF ABOUT 340,000.

IN MAY 1972, THE GENERAL ACCOUNTING OFFICE HAD ADVISED THE AGENCY FOR INTERNATIONAL DEVELOPMENT HAT EXCESSIVE QUANTITIES OF VEGETABLE OIL WERE BEING IMPORTED FOR THE MILITARY COMMISSARY SYSTEM. AID AGREED AND SUGGESTED TO THE MINISTRY OF ECONOMY THAT THE MAJOR PART OF COMMISSARY STOCKS BE TURNED OVER TO THE MINISTRY OF SOCIAL WELFARE OR OTHER AGENCIES. THIS WAS NEVER DONE.

THE GENERAL ACCOUNTING OFFICE OBSERVED THAT THE MINISTRY OF ECONOMY HAS ASKED FOR ANOTHER 7,000 METRIC TONS OF VEGETABLE OIL UNDER TITLE I OF PUBLIC LAW 480. THE DELEGATION BELIEVES THAT THE MISSION SHOULD TAKE AN OVERALL LOOK AT VEGETABLE OIL NEEDS FOR THE VIETNAMESE ECONOMY, TRANSFER LONG STOCKS TO AGENCIES WITH NEEDS, AND BALANCE THE SUPPLY POSITION BEFORE APPROVING THIS REQUEST. UNQUOTE

2. REQUEST MISSION FORWARD BY CABLE TO ARRIVE HERE PRIOR CLOSE OF BUSINESS MAY 22, DETAILED DATA WHICH CAN BE USED IN AID/ W RESPONSE TO SEN. INOUE.

3. WE UNDERSTAND MISSION IS IN RECEIPT OF LETTER FROM MINECON WITH A REQUEST FOR ADDITIONAL 15,000 MT VEGOIL. IN LIGHT ABOVE ALLEGATIONS, MISSION SHOULD INSURE THAT REAL NEED EXISTS BEFORE FORMALIZING REQUEST. RUSH

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